

Summary of Grid West Forum Meeting December 6, 2005

Introduction to Summary

This summary is intended to briefly describe the topics discussed and nature of discussion during the December 6th meeting of the Grid West Forum. It is not intended to be a verbatim transcript of anyone's remarks, and it is not intended to suggest that any particular person or entity at the meeting agreed with or endorsed the views described in this summary.

Overview of December 6, 2005 Grid West Forum Meeting

- The Grid West Forum met at the Sheraton Portland Airport Hotel in Portland, Oregon on Tuesday, December 6, 2005, from 10:00 a.m. to 3:00 p.m. PST.
- Approximately 48 people attended the meeting, including one state representative. Seven state representatives participated by phone along with three other participants who listened to the meeting.
- Bud Krogh welcomed everyone to the second meeting of the Grid West Forum. During the welcome and introductory remarks, Bud announced that, following up on suggestions at the November 17, 2005 Grid West Forum meeting, a group from Grid West contacted the National Academy of Public Administration (NAPA) about reviewing the Grid West Bylaws. NAPA representatives responded that they had a heavy workload ahead and for the foreseeable future it would be impossible to conduct a timely review of the Grid West bylaws.
- Sarah Dennison-Leonard briefed the Grid West Forum on the "game plan" for technical review of the feasibility of the Grid West design with a reduced set of participants. The Structure Group is assisting with this evaluation and David Hallam was present to answer questions about the plans and approach.
- The bylaws work group presented key revisions to the proposed Grid West bylaws. Six provisions were highlighted for discussion and input. The Grid West Forum participants provided feedback on revising, retaining, or deleting some of the specific provisions in the proposed bylaws. The bylaws work group will be taking written comments on the proposed Grid West bylaws until January 4, 2006.
- A proposed process for accelerating the Grid West membership process was also reviewed with the Grid West Forum.
- **The Grid West Forum will meet on Monday, January 9 from 10:00 a.m. to 5:00 p.m. and Tuesday, January 10 from 8:30 a.m. to 12:00 noon PST.** The main topics of the meeting will be a review of the revised Grid West bylaws and a report on the technical feasibility of the Grid West design with a reduced number of participants.

Introductions – Announcement about Contact with NAPA

Bud Krogh welcomed everyone to the Grid West Forum meeting. He said the principal purpose of the meeting was to hear a presentation from the bylaws work group and for meeting participants to give feedback on some of the key proposed changes.

Contact with NAPA: Bud announced that four people on behalf of Grid West called NAPA about conducting a review of the Grid West bylaws. The three representatives from NAPA on the conference call responded that NAPA is so busy that there wasn't a way for them to do a review for Grid West soon. In spite of brainstorming on any possible way for NAPA to conduct a review of the bylaws, it would have been late spring (at the soonest) before the review could be started. The group concluded that, at this point, having NAPA review the Grid West bylaws is not a viable option.

Technical Review Group (TRG) Report – “Game Plan”

Sarah Dennison-Leonard explained the “game plan” for accomplishing the technical feasibility work through mid-January. She referred to slides that are posted at http://www.gridwest.org/Doc/GWForum_Dec62005_TechRpt.pdf.

Organization: The Structure Group, along with Steve Walton and a technical review group, is evaluating the Transmission Service Liaison Group (TSLG) market and operational design with reduced transmission owner participation. The technical review group draws on people from the TSLG plus additional technical support from transmission owners.

TRG Meeting Schedule: The technical review group will meet December 7-8, December 19-20, and January 4-5, 2006. A report will be presented at the January 9-10 Grid West Forum meeting.

Technical Assessment: The overarching goal is to evaluate the technical feasibility of the TSLG design with a reduced set of participants, with particular attention to concepts related to integrating the western transmission owners into Grid West (PGE, BCTC, and the western portion of PacifiCorp) and to participation of “islanded” generation or load. Issues that will be addressed include: 1) issuance of flow-based injection-withdrawal rights IWRs); 2) use of reconfiguration services for transmission rights trading; 3) ancillary services markets; 4) effectiveness of the congestion management process; 5) proposed centralized scheduling and real-time monitoring and operation with reduced transmission owner participation. David Hallam, of The Structure Group, mentioned that the aim is to produce a single report on feasibility.

Possible Arrangements for Other Participants, e.g., BPA: Chuck Durick said he was particularly interested in the technical aspects of how to proceed and, in particular, what type of arrangement can be worked out so that BPA can participate in Grid West markets. One possibility is to develop a way for BPA to sell blocks of capacity to Grid West. He wants the technical group to think about how the auction algorithm would work with differing types of participation. At this point Chuck is looking for an educated assessment of whether mixed participation is feasible and whether there are benefits to such an approach. Carol Opatrny stressed that the technical work is closely connected to the assessment of benefits and costs. Aleka Scott noted the substantial expertise that BPA can bring and urged BPA's participation in the technical work.

Cost Impacts: The technical work also will evaluate the cost impacts related to a reduced set of participating transmission owners, specifically the effect of establishing primary and backup control centers using facilities other than BPA's and the use of other software. The evaluation also will look at ways to simplify the design to reduce costs. A high-level estimate of the cost impacts of design changes will be done if time permits.

Grid West Bylaws Presentation

Sarah Dennison-Leonard, with help from Malcolm McLellan, Tim Shuba, and other bylaws work group members, presented proposed changes to the Grid West bylaws.

The presentation is at

http://www.gridwest.org/Doc/GWForum_Dec62005_BylawsPres.pdf . Based on discussions at the November 17 Grid West Forum meeting, the bylaws work group drafted a single set of proposed Grid West bylaws. The group modified some provisions that no longer fit and recommended other changes to improve organizational workability. The goal is to maintain balance between independence and accountability.

Before highlighting sections that were changed, Sarah emphasized that Grid West membership is always open. Later in the meeting the Forum was briefed on a proposed process for pre-qualifying those who want to be Grid West members in time for the initial election of the independent Board.

Key Revision Highlights: Using the table of revisions posted with the draft bylaws as a reference, Sarah presented each change and reason for the change.

"Grid West Basic Features" is a new definition to help clarify the intended scope of Grid West. This definition is now tied into the definition of "Transmission Agreements." There was some discussion about whether a Transmission Agreement had to enable all of the Grid West Basic Features. The intent is that it must enable full implementation (although not necessarily initiating all features simultaneously).

Another revision provides for a list of initial Grid West members attached to the bylaws at the time the bylaws are adopted. A proposed membership process is posted at <http://www.gridwest.org/Doc/ProposedGWMembershipProcess.pdf> and was available as a handout at the meeting. The purpose is to identify initial members of Grid West through an accelerated process. A potential new member could be pre-qualified to be a member of Grid West by completing a "Membership Interest Form." Aleka Scott suggested that those who previously applied for declaratory membership or were active members of Grid West should be listed unless they have requested that they not be carried over. Those who were active members under the Grid West Developmental Bylaws would not need to pay additional dues for the first year. However, former declaratory members and those who indicate "interest" in becoming new members would need to pay the first year's membership fee by a specified date after the bylaws are adopted (unless a waiver is granted) to remain on the list of Grid West members.

The bylaws work group proposed there be five initial Board members. The Board can choose to expand its size once it has determined there is a "critical mass" of signed Transmission Agreements. There were varying views about the best size for a workable Board. In general, most participants thought starting with five directors was acceptable. Some thought that allowing the Board to expand to seven was a good idea while others

thought nine would better ensure diversity. Any changes in the number of Board members also will require changes to provisions that require a supermajority Board vote.

A provision was added that half of the slate of candidates for any first-round vote for Board members must have significant experience in the electric utility industry in the Grid West Geographic Area. This addition, along with the requirement that election to the Board requires at least twenty (of thirty or thirty-one) votes of the Member Representatives Committee, is intended to ensure that any person elected has broad support. Sarah reminded the Forum participants that, on this issue and others, the bylaws work group will take into consideration written comments.

The bylaws work group drafted a proposed clarification of when a “departure from company rate approach” occurs. The revised definition allows consideration of several different approaches to long-term transmission pricing without permitting postage stamp rates. The goal is to account for the initial rate approach and to find a balance between avoiding an unanticipated rate structure change and impeding good options that the region supports. This is another area where it is expected that people will provide comments.

Provisions for Discussion and Feedback: Sarah highlighted six issues that the bylaws work group felt are “one hurdle too many.” The group recommended removal of these six provisions but wanted input from the Grid West Forum on whether removal of each provision is a good idea. A summary of these provisions and feedback from those attending the Forum follows.

Section 7.17 – allows members to vote that a Board proposal constitutes a major change in scope or policy and triggers a “supermajority” vote of the Board to implement the proposal (like “special issues”). Discussion ensued about both the practicable and perceived implications of removing this provision. After discussion of other provisions related to Board accountability, the general sense was that it was best to retain this section but raise the threshold from 18 to 20 votes’ worth of member voting power in order to trigger the supermajority requirement.

Section 7.9.1 – imposes a 30-day implementation delay on Board action after a member vote under section 7.17. This provision also will be retained.

Sections 7.9.2 and 5.15.2 – require a mandatory member advisory vote and a supermajority Board vote to approve budgets that exceed previous budget projections by 15% or more. There was a consensus at the Grid West Forum meeting to remove these provisions. There are a number of other provisions where members are involved in the budget process. Also, under Section 7.17 (which is retained), members have the right to elevate approval to a supermajority Board vote if they see a budget increase as a major issue. Several cautioned that when provisions are removed it is important to make stakeholders aware that changes are meant to make the bylaws more workable and that many member protections and accountability provisions remain in the bylaws.

Section 7.12.2 – imposes a series of “hoops” that the Board must jump through to satisfy itself that any proposal regarding the provision of transmission services is warranted. The bylaws work group recommended removing this section because it has the potential for abuse; it’s a procedural “hassle factor” for the Board and in the worse case could enable a single member to stall or even halt the Board’s efforts to implement an action.

The participants at the meeting expressed no objections to removing this provision from the bylaws.

Section 12.4.3 – forces Grid West to dissolve (unless members override dissolution) in response to FERC-ordered changes to the articles of incorporation or bylaws. The bylaws work group recommended removing this section because it is too extreme and not needed in light of recent developments (Cal ISO v. FERC and July 1, 2005 FERC declaratory order). Several participants wondered if this provision was important to certain parties. Others agreed that it should be removed. One participant said his organization would send comments regarding the issue. The provision is expected to be removed, given that most at the Forum supported deleting it. The bylaws work group will take into consideration any written comments on the issue.

Adding Up the Changes to the Bylaws: Sarah said the list of 35 bylaws' issues (not counting sub-issues) that BPA presented to the region in September 2004 was reviewed. Of these issues and sub-issues, thirty were incorporated into Grid West Developmental or Operational Bylaws in some form. Only five of those thirty that addressed BPA's issues are now proposed for removal either because the issue was in the Developmental Bylaws and is no longer needed, or because the bylaws work group recommended removing the provision from the draft proposed single set of bylaws. The total is reduced to four after accounting for the decision during the meeting to leave in Section 7.17.

Summary of Technical and Administrative Changes: Sarah noted that the table in the draft bylaws and the presentation list all changes in terminology and technical and administrative changes made to the proposed bylaws.

Special Issues List that Requires Elevated Consultation and Voting: The Grid West Forum participants had a brief discussion about the efficacy of removing the Special Issues List because Section 7.17 allows the members to determine if any issue should be considered a major "special issue" subject to supermajority approval of the Board. However, the general consensus was that there was a lot of regional effort invested in the Special Issues List and it would be best to keep the list in the bylaws because the list and associated voting procedures are important to a number of parties.

Proposed Membership Process

A proposal for accelerating the membership process and pre-qualifying new members was reviewed. This proposal is posted on the Grid West website and was available at the meeting.

Next Steps

Wed. January 4, 2006

Written comments due on draft bylaws. Comments should be sent to Christine Elliott at chrisrtowest@earthlink.net. Notice will be sent and put on the Grid West website. [The bylaws work group finds it most helpful to receive comments that explain the issues of concern and describe preferred outcomes. Comments sent before the January 4 deadline, if possible, would be appreciated.]

Early January

Distribution of report and results of technical feasibility work.

Grid West Forum Meeting on January 9 and 10, 2006

**Mon., January 9 and
Tues., January 10**

Grid West Forum meeting – Review final draft bylaws and review results of technical feasibility evaluation. Receive input from Grid West Forum.